

ALLIANCE FOR AGRICULTURAL GROWTH & COMPETITIVENESS

STATEMENT REGARDING COMPREHENSIVE FEDERAL FARM POLICY HEARING OF THE COMMITTEE ON AGRICULTURE THE HONORABLE ROBERT W. GOODLATTE CHAIRMAN

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SALISBURY, MARYLAND

SEPTEMBER 13, 2006 WASHINGTON, DC

> AAGC c/o NGTC 1300 L Street, NW, #1020 Washington, DC 20005 202-842-0400 ext. 100

Good morning, Chairman Goodlatte, Representative Peterson, and members of the committee. Thank you, Chairman Goodlatte, for the opportunity to participate in this important and very timely hearing regarding a new farm bill. On behalf of the Alliance for Agricultural Growth & Competitiveness (AAGC), I appreciate your invitation to provide the Alliance's recommendations and comments to help enhance U.S. agriculture's ability and capacity to meet the demands of expanding markets at home and abroad.

My name is Sharon Clark, Vice President of Transportation for Perdue Farm's Grain and Oilseed Division. Headquartered in Salisbury, Maryland, Perdue Farms is a major producer of agricultural products, from refined soybean oil to feed ingredients to poultry. Perdue Farms purchases grain from more than 5,000 local farmers to supply our feed mills and market grain internationally. Our grain receiving facilities serve farmers throughout the Mid-Atlantic and handle more than 200 million bushels on an annual basis. Each week, our associates produce more than 50 million pounds of poultry products at plants throughout the eastern half of the United States. Perdue Farms is proud to be a vital and growing market for the hundreds of family farmers who grow the grain and oilseeds needed to meet my company's ever-expanding feed requirements. Perdue Farms is equally proud to contract with more than 2,400 independent family farmers to grow the chickens and turkeys required to meet the needs of our customers in supermarkets, foodservice and international markets.

Perdue Farms is a member of the American Feed Industry Association, The Fertilizer Institute, National Chicken Council, National Grain and Feed Association, and National Oilseed Processors Association. All five organizations are active participants in AAGC. I am pleased to present this statement on behalf

of the Alliance for Agricultural Growth & Competitiveness. The Alliance includes a broad, national cross-section of agricultural associations, agribusinesses, and related organizations that are committed to improving U.S. agriculture's growth potential and ability to expand and compete in both domestic and international markets. Attached to my statement is the roster of AAGC's members. Also, attached are four papers that present the Alliance's primary principles. My statement is based on these four papers.

In drafting the next farm bill, AAGC encourages policymakers to develop legislation that supports the following principles:

- Conservation programs should minimize the idling of productive land to achieve environmental goals;
- U.S. farm programs should comply with U.S. obligations under the World Trade Organization (WTO), encourage the further liberalization of trade, and minimize market distortions on planting decisions; and
- Farm programs should continue to avoid creating artificial storage programs that build government or private stockpiles of grains and oilseeds, except for emergency humanitarian purposes.

AAGC supports these principles and believes that drafting farm policy under these guidelines will best position U.S. agriculture, from farmers to consumers, to succeed and meet the dynamic market challenges in the years ahead. U.S. agriculture enjoys significant competitive strengths. The 2007 farm bill offers policymakers a unique chance to develop a forward-looking, flexible farm policy that enhances these strengths and promotes the continued growth of U.S. agriculture.

AAGC believes staying with the original schedule to draft and enact a new multiyear farm bill in 2007 is appropriate and prudent. While no one can accurately
predict when the current World Trade Organization talks will result in an
acceptable agreement, it is reasonable to expect a much-prolonged timetable before
an overall successful conclusion is achieved. In the meantime, the United States
has certain outstanding WTO obligations that must be met. Addressing those
obligations now, in a positive manner in a new farm bill, will allow the United
States to advance an aggressive international trade agenda that will improve the
outlook for growth in the agricultural sector. To best succeed in this environment,
U.S. agriculture needs stability, predictability, and certainty of farm programs and
policies. Congress has an opportunity, with the current farm legislation expiring,
to enact new farm legislation so that U.S. agriculture can move forward to take
advantage of the growth opportunities that lie ahead.

Federal budgetary considerations are increasingly paramount. Agriculture should not be expected to bear an unfair share of spending reduction if such adjustments are necessary. Anticipating budgetary adjustments and being proactive in addressing issues can make such a budget adjustment burden more bearable, rather than reacting and realigning once policies and programs are in place. Farmers, ranchers, agribusiness and others in agriculture need greater certainty in terms of farm legislation and programs. Delaying a new farm bill increases uncertainty regarding the outcome of the shape and form of the new farm bill and resulting programs.

AAGC is pleased to note that USDA is estimating fiscal 2007 agricultural exports will be a record level of over \$72 billion. USDA cites a favorable world economy,

the value of the U.S. dollar and certain other factors for the likelihood of achieving record agricultural sales overseas.

While the export demand for U.S. agricultural products is expected to grow in the years ahead, the growth in production of ethanol, manufactured almost exclusively from corn, and biodiesel, manufactured mostly from vegetable oil from soybeans and other oilseeds, is growing rapidly. Demand for corn for ethanol is expected to grow at more than 30 percent a year for at least the next couple of years. Demand for vegetable oil for biodiesel is expected to grow at an even faster rate although from a much smaller base.

In addition to the dynamic changes coming in the biofuels and international markets, it must, at the same time, be recognized that the domestic livestock and poultry industry is the largest, most important market for U.S. crops. Perdue Farms is proud of and dedicated to its role in animal and field crop agriculture. AAGC respectfully reminds policymakers of the tremendous importance of the domestic livestock and poultry sector when farm policy changes are being considered.

Expanding both ethanol/biodiesel production and animal agriculture does not have to be a mutually exclusive proposition if the appropriate policies and programs are developed and in place. These policies and programs should let market-based choices decide the future balance among users and allow full production on productive U.S. farmland. One of the most important actions, if not the most important, is to successfully address the increasing demands on agriculture for food and energy. Key to achieving this success is revising the Conservation Reserve Program (CRP) so that it recognizes environmentally-sensitive lands need

protection while sound, productive crop land needs to be available as market conditions warrant. AAGC believes there is significant acreage in the CRP that can return to crop production without any measurable impact on the environment, especially if soil, water, and air issues are addressed through conservation tillage practices.

This significant acreage of non-erodible, non-environmentally sensitive land currently enrolled in the CRP must be allowed to re-enter crop production. There is, however, a disincentive for land to exit the CRP. Nearly all of the land in the CRP is no longer eligible for direct farm program payments and counter-cyclical payments, although the land is eligible for marketing loan benefits. It is estimated that two-thirds of the land currently enrolled in the CRP received farm program benefits before entering CRP, but over the years, USDA reassigned farm program acreage bases so nearly all the land in the CRP is now ineligible to receive some elements of farm program payments. Congress in the new farm bill needs to recognize this issue or CRP will likely continue to idle large tracts of non-environmentally fragile cropland that U.S. agriculture needs for meeting growing domestic and world demand.

Government owned or controlled stocks distort market price signals impacting production and storage of agricultural commodities. Higher prices for commodities in future months, normally reflecting carrying charges, provide the incentive in the market place to store the commodities into the future. If government pays directly for commercial storage or pays growers to store their crop, like the former farmer-owned reserve, carrying charges are disrupted and growers and commercials have much less incentive to store the commodities for future disposition. Government takes over a storage function normally carried out

by growers and commercials, resulting in limited additional storage of commodities. The incremental additional storage provided would likely cost the government much more than would be the "cost" to the market through carrying charges for additional storage. While the government is accumulating stocks, price could be somewhat supported, but once government funded stocks have been accumulated, their existence serves as a cap on prices. In either case, the price signal is blunted to the grower causing him to grow more or less than the market would be signaling if there was no government storage program. Congress wisely removed these storage programs from current law. AAGC supports this congressional action and opposes government funded or supported storage programs.

With respect to providing a farm income safety net, U.S. farm policy and programs should work toward elimination of distortions in market signals to U.S. agricultural producers. Fashioning a non-market distorting farm income safety net can play a strong role in promoting U.S. competitiveness. Under the principles supported by AAGC, Congress and the Administration have wide latitude in developing policies that meet the needs of today's producers, while positioning the entire U.S. agricultural system for growth in the increasingly competitive global markets of the future.

Promoting U.S. competitiveness through aggressive public investment in agricultural research, transportation infrastructure, rural development, and biotechnology is also a necessary and important part of any new farm policy.

In summary, AAGC encourages Congress to design farm legislation that achieves the following:

- Reforms the Conservation Reserve Program to eliminate the retirement of all non-erodible, non-environmentally sensitive farmland;
- Provides a farm income safety net that is not subject to continual challenges from trading partners through the World Trade Organization;
- Makes substantial movement toward replacing non-market incentives to plant crops in order to receive program benefits; and
- Avoids creating storage programs that artificially build government and nongovernment stockpiles of grains and oilseeds, except for emergency humanitarian needs.

Mr. Chairman and Committee members, the Alliance for Agricultural Growth & Competitiveness appreciates the opportunity to provide recommendations to better position U.S. agriculture to become even more dynamic and productive and instill greater confidence to invest for the future. The Alliance looks forward to working with the Committee to help craft new farm legislation toward these worthy goals.

Number 1 in a series of Issue Briefs



Globally Competitive US Agriculture System

Issue in Brief

In recent years world agriculture has become much more competitive. Although U.S. agriculture remains naturally competitive and continues to be economically strong, if the US is to maintain its position, Congress must adapt and change current agricultural policies, programs and public investments.

AAGC Position

US agricultural policies, programs and public investments must promote and enhance, not detract from, the natural market competitiveness of US Agriculture. Otherwise there will be limited growth and opportunity for US agriculture in the coming years.

Analysis

US agriculture continues to be globally competitive with productive land, a favorable climate, a high level of production technology, skilled growers, ready access to capital and risk management services, and large investments in agricultural processing, marketing and transportation infrastructure. In recent years though, competing countries, particularly in South America, have improved their position. Globalization has resulted in many of the factors of agricultural production being highly mobile and available to all producers around the world. For example, plant genetics, pesticides, and farm machinery are manufactured and sold into every major agricultural producing country by international firms. In addition, competitor countries continue to make investments in transportation infrastructure.

For the US to maintain its competitive position in the world environment, US agricultural policy, programs and public investments must change to meet these new challenges. Congress has made great improvements in agricultural policies since the days of annual acreage reduction programs, zero planting flexibility, and the use of non-recourse commodity loan rates to maintain US prices above world market clearing levels. However, further adjustments will be necessary to promote and maximize U.S. agricultural competitiveness in the years ahead.

In new farm legislation, Congress must adjust policy and programs to provide a farm income safety net that finally eliminates distortions in market signals to US growers. Otherwise US policies will continue to blunt rather than add to the natural competitiveness of US agriculture.

Specifically, Congress must design farm legislation that -

- replaces trade distorting domestic supports with WTOconsistent policies
- allows market forces to reward and foster enhanced quality or specialty crop production
- reforms the Conservation Reserve Program to eliminate the retirement of all non-erodible, non environmentally sensitive farmland
- provides a safety net that is not market distorting and is not subject to continual challenge from trading partners through the World Trade Organization

In addition to fashioning a non-market distorting farm income safety net, the US government must also play a strong role in promoting US competitiveness through aggressive public investment in agricultural research, transportation infrastructure, rural development and biotechnology.

"Congress must adjust policy and programs to provide a farm income safety net that finally eliminates distortions in market signals to US growers."

AAGC Mission: To advocate and support policies that promote U.S. agricultural competitiveness and foster opportunities for growth in domestic and export markets

AAGC Principle #1: Encourage design of U.S. government support programs for agriculture that:

* Comply with U.S. obligations under the WTO

* Minimize distortion in the market signals that drive production decisions

* Encourage further liberalization of agricultural trade.

AAGC Principle #2: Support conservation programs that minimize the idling of productive land to achieve environmental and other policy goals.

AAGC Principle #3: Oppose attempts by the U.S. government to create artificial incentives to build government or private stockpiles of grain, except for emergency humanitarian purposes.

Number 2 in a series of Issue Briefs



U.S. Agricultural Programs and the World Trade Organization

Issue in Brief

The U.S. is a key member of the World Trade Organization (WTO), which provides the principle forum for regulating and negotiating multilateral trade agreements. As a key member, the U.S. must support agricultural policy that is consistent with U.S. trade commitments and complies with our obligations within the WTO. The WTO can influence agricultural policy of its members through: (1) existing trade commitments, (2) ongoing trade negotiations, and (3) trade dispute settlement outcomes.

The U.S.-Brazil cotton dispute, litigated in the WTO, illustrates the impact that litigation could have on U.S. farm programs. In the 2004 case, the WTO ruled that various aspects of the U.S. cotton program were inconsistent with U.S. trade commitments. The ruling, which exposed particular vulnerability in production and price-linked support programs, effectively put on notice other U.S. farm programs with similar characteristics such as corn, wheat, rice, soybeans, sugar, and dairy. Absent change to such programs, the marketing loan and counter-cyclical payment provisions of existing farm programs could be challenged by Brazil and other countries encouraged by the success of the cotton case.

AAGC Position

The AAGC supports changing U.S. farm income support programs so that they are consistent with U.S. trade commitments and comply with our obligations within the WTO.

Analysis

The overall trade outlook is important to U.S. agriculture because exports currently account for 27% of the value of agricultural production and about one-third of harvested acreage is exported. The U.S. economy as a whole is tied to continued growth in worldwide income and demand, which is stimulated by trade liberalization and market access gains. The AAGC is a staunch supporter of multilateral trade reform and believes the level of ambition in "commercially meaningful" market access is rightly the focal point for U.S. agriculture.

In its February 2006 baseline projections to 2015, USDA predicts steady growth in the world economy resulting in strong, steady growth in global trade of agricultural commodities, including livestock and poultry products. In fact, USDA's analysis suggests that while the US ethanol production grows very quickly to consume over 2 billion bushels of corn annually, income growth in the rest of the world will also continue. Much of the world income growth will occur in developing countries, where consumers will shift to more meat in their diets, which requires more feed grains for meat production. To meet this feed grain demand, agricultural trade will remain vital to maintaining a growing, prosperous US agriculture.

In this environment, U.S. agriculture needs to shape farm programs that: avoid inconsistent trade distortions under the WTO; promote the competitiveness of U.S. crop and livestock production in order to make the most of future export opportunities; and provide predictability for producers and users alike, to facilitate needed investments.

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"U.S. agriculture needs to shape farm programs that: avoid inconsistent trade distortions under the WTO; promote the competitiveness of U.S. crop and livestock production and provide predictability for producers and users alike."





Conservation Programs in the 2007 Farm Bill

Issue in Brief

The 2007 Farm Bill provides an important opportunity to continue moving conservation programs toward addressing targeted environmental needs on sensitive lands and moving away from land-idling programs.

AAGC Position

The AAGC supports conservation programs on sensitive lands, encourages the development of more conservation programs on working lands, and recommends minimizing programs that idle productive land.

Analysis

Conservation programs have always enjoyed wide support with growers and the general public, so it seems likely there will be further movement by the Congress toward direct payments for conservation related programs. As part of this expected trend in farm legislation toward even more emphasis on conservation, the Congress needs to re-focus the largest conservation program, the Conservation Reserve Program (CRP), toward less idling of large tracts of agriculturally productive land and toward more specific conservation practices such as buffer strips and riparian areas.

To put the size of the CRP in perspective, if CRP were a crop, it would be the fourth largest crop behind corn, soybeans and wheat. Another comparison is that the crop land idled every year in the CRP is nearly 60 percent of the average planted crop acreage in Canadaone of the major competitor countries of the United States

USDA has previously reported that about one half of the CRP is estimated to be Class I and II land, the very best land for agricultural production in the United States. By nearly any measure there are large acreages of very productive land that could be released from the CRP with

no detrimental effect on US conservation goals. US taxpayer money spent to idle the land in CRP would be put to much more effective conservation use on working crop lands.

Land devoted to production of the major crops in the US has been steadily declining as land around expanding cities and towns is continually leaving agriculture for development. This trend continues in the face of substantial subsides for ethanol and biofuels production and an increase in the renewable fuels standard. The Administration and Congress has committed to improving U.S. energy independence, primarily through the use of renewable fuels. Iowa State economist Dr. Robert Wisner has estimated that ethanol production could utilize as much as 5 billion bushels of U.S. corn by the year 2012. This represents nearly 43 percent of USDA's baseline estimate for corn production by 2012 and more than 25 percent of U.S. grain production. While crop production technology continues to improve - corn yields are expected to grow by 6 percent by 2012, with slower growth in yields for soybeans and wheat - the demand for biofuels is likely to strain U.S. grain production.

U.S. wheat production faces a particular challenge as a large amount of CRP is currently focused in the Great Plains wheat growing region. In order to increase U.S. wheat production in the coming years, a refocused CRP must be a priority. Without substantive program changes, the U.S. will become less competitive over time and the opportunities for growth in U.S. agriculture will greatly diminish, with more and more of the world's agricultural growth taking place in efficient agricultural exporting countries, such as South America or those in the Black Sea region.

Mission: To advocate and support policies that promote U.S. agricultural competitiveness and foster opportunities for growth in domestic and export markets

AAGC Principle #2: Support conservation programs that minimize the idling of productive land to achieve environmental and other policy goals.

"Crop land idled every year in the CRP is nearly 60 percent of the average planted crop acreage in Canada-one of the major competitor countries of the United States."





Grain Stocks: Is there a Role for the Federal Government?

Issue in Brief

Federal farm programs to subsidize government-owned and private grain storage have largely been eliminated, except for humanitarian programs. While there has been some recent discussion of reviving federal storage programs, the history of these programs is one of high taxpayer costs, market distortion, and inefficient delivery of farm program benefits.

AAGC Position

The AAGC opposes returning to US government owned or financed storage programs.

Analysis

Artificial stockpiling of grain has proven to be misguided government policy, contributing to inefficient use of government funds, depressed market prices for producers, and an impediment to market adjustment when relative shortages and surpluses develop. A modest program of stocks for humanitarian and emergency needs, such as the 4 million metric tons stored under the current Emerson Trust, should remain as government's only role in stock holding.

Under the farmer-owned reserve program, the federal government paid farmers 26 cents per bushel annually to store grain. Economic analysis conducted during that time demonstrated, however, that the additional grain stored through government incentives created disincentives for private stock ownership, forcing private stocks downward. The reduction in stockholding by the private sector meant that a payment of 26 cents annually for the FOR bushel was only contributing approximately ¼ of a bushel of grain to total carryout stocks. So, in essence, the government was paying almost \$1 per year for the marginal addition of 1 bushel to total stocks. A similar policy in today's markets would result in a similar market reaction, and make such a program prohibitively expensive.

While the goal of the farmer-owned reserve of the 1970s and 1980s was to stabilize prices, it ultimately depressed farm prices on a continuous basis. While such stocks were isolated from the market within a prescribed price band, the fact that the stock existed was a known market factor, contributing to less risk that buyers might confront any significant price run-up, and resulted in a less aggressive market bidding situation for the grains

Mission: To advocate and support policies that promote U.S. agricultural competitiveness and foster opportunities for growth in domestic and export markets

AAGC Principle #3: Oppose attempts by the U.S. government to create artificial incentives to build government or private stockpiles of grain, except for emergency humanitarian purposes.

"Artificial stockpiling of grain has proven to be misguided government policy, contributing to inefficient use of government funds, depressed market prices for producers, and an impediment to market adjustment."



Alliance for Agricultural Growth & Competitiveness

Archer Daniels Midland Company American Association of Railroads American Bakers Association American Feed Industry Association ConAgra Foods, Inc. Food Products Association General Mills, Inc. Independent Bakers Association Louis Dreyfus Corporation Minneapolis Grain Exchange National Chicken Council National Grain & Feed Association National Grain Trade Council National Oilseed Processors Association National Turkey Federation North American Millers' Association Texas Grain & Feed Association The Andersons, Inc. The Fertilizer Institute The Scoular Co. Union Pacific Railroad

Committee on Agriculture U.S. House of Representatives Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

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PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

BIOGRAPHICAL DATA August 31, 2006

Sharon G. Clark

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Perdue Farms, Incorporated Grain & Oilseed Division 6906 Zion Church Road Salisbury, MD 21802 Telephone: 410-860-4345

TITLE:

Vice President Transportation

ACCOUNTABILITIES:

Responsible for the rail and truck transportation for the G&O Division,

including 41-rail served and 63- truck served facilities. Responsibilities include negotiation of rail and truck rates and services, management of a 1,850 car railcar

fleet, and dispatch of 120,000 trucks annually.

WORK EXPERIENCE:

Perdue Farms, Incorporated

Vice President Transportation	2004-present
Vice President Commodities & Traffic	2001-2004
Director Traffic	1997-2001
The Andersons, Inc.	
Agricultural Group Transportation Manager	1995-1997
Grain Group Transportation Coordinator	1989-1995
Cargill, Inc.	
Eastern Region Domestic Merchant	1988-1989
Eastern Region Train Merchant	1986-1988

1984-1986

Graduate of Arizona State University 1984

Masters of Business Administration

Graduate of Mankato State University 1983

Bachelor of Science

Grain Merchant

BUSINESS ASSOCIATIONS:

EDUCATION:

National Grain & Feed Association (NGFA)

Executive Committee
Board of Directors

Rail Arbitration Committee

North America Freight Car Association (NACFA)

Member since 1997

National Freight Transportation Association (NFTA)

Member since 1996

National Oilseed Processors Association (NOPA)

Transportation Committee

Committee on Agriculture U.S. House of Representatives Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name	e: Sharon Clark	
Adds	P. D. BOX (537 Salisbury MO 21802 phone: 410-860-4345	
	phone: 410-860-4345	
Orga	nnization you represent (if any): <u>Perdue Fari</u>	ns Incorporated
1.	Please list any federal grants or contracts (includin you have received since October 1, 2004, as well as each grant or contract. House Rules do NOT requito individuals, such as Social Security or Medicare payments, or assistance to agricultural producers:	the source and the amount of ire disclosure of federal payments
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2.	If you are appearing on behalf of an organization, contracts (including subgrants and subcontracts) to October 1, 2004, as well as the source and the amount	ie organization has received sinc
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Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.